DOCUMENT RESUME

ED 357 501 EA 024 939

AUTHOR Palmer, Hollis A.
TITLE A Level Playing Field. A Report to the Association of Small City School Districts.
INSTITUTION Auburn Enlarged City School District, NY.
PUB DATE Jan 93
NOTE 31p.; Paper presented at the Annual Meeting of the American Education Finance Association (Albuquerque, NM, March 1993.
PUB TYPE Reports - Evaluative/Feasibility (142) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; *Equalization Aid; *Finance Reform; *Fiscal Capacity; Property Taxes; State Action; Tax Allocation; Tax Effort; Tax Rates
IDENTIFIERS *Auburn City School District NY

ABSTRACT

This report describes findings of a study conducted by the Auburn Enlarged City School District that examined the ability of New York school districts to pay for their students' educational needs. The methodology used involved an economic comparison of the largest 80 New York school districts selected on the basis of enrollment and an analysis of data for the years 1988 and 1991. The following aspects were examined: district full value; tax rates; state aid; total revenue; combined wealth ratio; enrollment trends; and small cities aid. Findings indicate that the state aid formulas, when adequately funded and without capping losses, are able to address the economic disparities among the districts. Revenue available for education was changed by reducing state aid to education and replacing it with rapid increases in property values. Because small cities lack a sufficient tax base to fund education, it is argued that the state is responsible for ensuring that the formulas provide equal educational opportunities for all students. Nineteen exhibits are included. (LMI)

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A Level Playing Field

A Report to the Association of Small City School Districts

Completed by the Auburn Enlarged City School District 1993

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Superintendent of Schools

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Editing

Paul Gagliano
Director of Federal Programs,Grants,Compensator Programs and Testing

Christopher Neubert
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Graphics

Joseph A. Proscia
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For Their Valued Assistance

Michael Barile
Gerald Macaluso
Kim Rath
William McEachron
and our clerical staff

INTRODUCTION

In 1992, an independent study on economic inequalities in funding education in New York State was undertaken by the Auburn Enlarged City School District. The study, entitled "Fair Share," showed significant disparities in funding for a specific number of school districts of similar enrollments or Full Value. The "Fair Share" report received wide-spread circulation, comment, praise and criticism. This year, a more inclusive examination was undertaken to ascertain the ability of school districts to pay for the educational needs of their students.

As anticipated, the 1993 study shows that among districts of equivalent enrollments, disparities exist in their ability to fund local educational programs. Of major significance, the study clearly reveals that these disparities are linked to the designation of Small Cities School Districts and non-cities (e.g. Central School Districts).

THE STUDY

The study undertaken for 1993 is an economic comparison of the largest 80 school districts chosen on the basis of enrollment. The districts studied represent all areas of the State from Jamestown to Albany; from Long Island to Watertown, including 23 of the 57 Small Cities (40%) in New York State. There are also 57 non-cities school systems in the comparison group. An examination of any one year merely illustrates the problem. Therefore, the decision was made to analyze comparative data for the years 1988 and 1991, since an examination over time demonstrates not only the problems, but also the trends. The source of all data, unless otherwise noted, is from the various Basic Educational Data Systems (B.E.D.S.) information booklets.*

This report is being incorporated into the Small Cities "Level Playing Field" proposal. This portion of the Level Playing Field examines various financial and enrollment data.

**The Big Five: New York City, Buffalo, Rochester, Syracuse, and Yonkers were excluded from this study based on special formulas determining their aid.*

THE COMPARISON GROUP

Exhibit 1 lists the school districts in the study and their rough geographic locations. The districts are listed in categories relating to generally accepted geographic designations in New York State: Western New York; Central New York; Capital District; Southern Tier; Mid Hudson; Lower Hudson; and Long Island. This larger group study for 1993, with the broad range of locations, eliminates the "upstate-downstate" issue perceived in the "Fair Share" study.

ENROLLMENT

Exhibit 2 compares enrollments in 1988. Based on enrollment, and exclusive of the largest non-city, the difference in 1988 between Small Cities and non-cities was insignificant. By 1991, at the same reference points, Small Cities enrollments were slightly larger than their non-city counterparts. Again, the difference was insignificant (Exhibit 3). What is significant, however, is that enrollments were somewhat similar and the differences that did exist tended to favor the non-cities.

FULL VALUE

As one shifts from an examination of enrollment to one of fiscal characteristics, many significant disparities begin to appear. In 1988, the mean Full Value for Small Cities was less than 75% the Full Value of the non-cities (Exhibit 4). In fact, only the top three Small Cities exceeded their non-city counterparts as measured on Full Value. Because of significant increases in the value of real estate in New York State during the mid and late 1980's, the problem of reliance on Full Value was exacerbated by 1991. Exhibits 5 and 6 clearly point out the Full Value issues. While non-cities had a rapidly expanding property value, by comparison, the Small Cities increase was minimal. In 1991, the Small City at the 50th percentile had a Full Value per pupil equal to the non-city at the 10th percentile, and the Small City at the 75th percentile had the same Full Value as the non-city

at the 30th percentile. The evidence shows that Small Cities do not have the property value to raise the revenue necessary to fund local educational programs that the non-cities possess (Exhibit 7).

Relevant to the inequitable and ineffective system of distributing aid to the schools, the following example illustrates the magnitude of the Full Value dilemma: The total full value of the Small Cities of Auburn, Jamestown, Niagara Falls, Lockport, Kingston, Troy, Rensselaer, Hudson and Watervliet is approximately $6,450,000. The total tax base of these nine Small Cities is the same as the non-city Great Neck Central School District. To further compound the problem, the enrollment in six of these nine Small Cities each exceeds Great Neck's (Exhibit 8). Further, the full value per student in Great Neck is seven times the average of these six Small Cities.

TAX RATES

The effect of the changes in funding in 1988 and 1991 are best demonstrated when one looks at the tax rates. In 1988, the tax rates for the Small Cities and the non-cities were roughly parallel through the 40th percentile (Exhibit 9). All Small Cities beyond that point were lower than their non-city counterparts. By 1991, however, at almost all levels, the Small Cities tax rate exceeded the tax rate for non-cities (Exhibit 10). Indeed, one can see that in just three years, the rates and relationships changed dramatically. Although the difference between the two classifications is not visually significant, the change in relationship over the period is significant. At almost every point the Small Cities have a higher tax rate than their non-city counterparts.

STATE AID

For many years, through various State Aid formulas for education, New York State has attempted to address the ability to fund educational programs based on local Full Values. In 1988, the State Aid to Small Cities and to non-cities roughly followed the same curve (Exhibit 11).

By 1991 however, the Small Cities had begun to exceed their non-city counterparts by a small margin (Exhibit 12). When examining tax rate (Exhibit 10) and State Aid (Exhibit 12) separately, it would appear that no problem exists. However, when the Full Value (tax base) is added to the equation, the total revenue per district is revealed.

TOTAL REVENUES

In 1988, the Small Cities were already behind their suburban neighbors in the amount of State Aid revenue available to educate each child (Exhibit 13). By 1991, as a result in state funding reductions, the disparity widened (Exhibit 14). The gap between the two groups, relative to the amount of monies available to educate their children, had grown significantly.

This difference in local revenues can best be understood when one realizes that Small Cities are taxing their citizens at the highest tax rates, while raising a lower total tax revenue with which to educate their most challenging students. In other words, we tax the most to collect the least, to educate our most challenging students.

Current Operating Aid formulas, while they attempt to address the differences in the abilities of school districts to fund their local educational programs do not, in fact, succeed because the State has not allowed the formulas to function as designed. When the State stopped increasing funding, it caused the school districts to rely more on local revenues, the source of which is exclusively local property tax. When reliance on local property tax is combined with a gross shift in property values, an even greater problem develops.

COMBINED WEALTH RATIO

Combined Wealth Ratio is a mathematical relationship in which property value and income are both considered in an attempt to equalize effort among districts. In fact, there are numerous arguments regarding the accuracy of the CWR when calculating this mathematical relationship. Regardless of its possible faults, the CWR is simply not accomplishing its original intent.

Exhibit 15 shows the CWR of the Small Cities and non-cities in New York State. In order to understand the differences, the area below .20 CWR was dropped, since no district falls into this range.

A CWR of 1.0 is average. According to the formula, the non-cities at the 50th percentile reach the average. At this same point, the Small Cities have a CWR of .60. Only four of the 23 Small Cities districts cited in the study (17%) exceed the average CWR of 1.0. In simplest terms, the Small Cities are poorer than their non-city counterparts.

ENROLLMENT TRENDS

Before dealing with some of the inevitable conclusions, an additional trend needs to be examined. Recent population shifts are very significant to the study.

Many of the recent decreases in funding by the State in non-cities school districts were offset by a declining enrollment. Conversely, what limited increase in State Aid occurred in the Small Cities was compounded by increasing enrollments. Thirty percent of the Small Cities school districts in the study grew by 3% or more, while 49% of the non-cities realized a decrease in enrollment of 3% or more. Supportive data can be found in Exhibits 17 and 18.

HURD AID

The problem is getting worse. Currently, each of the 57 Small Cities receive some Small Cities Aid (HURD). Current legislation calls for a decrease in SCA each year until it is eliminated. Exhibit 19 shows 100% loss impact of SCA, if it were to occur this current year.

CONCLUSION

The State Aid formulas, when adequately funded and without capping losses, do provide the ability to address the economic disparities that exist between districts. In 1988, the State, facing fiscal problems of its own, began curtailing aid to education. During the period 1988-91, the effects of rapid increases in property values throughout the State were also reflected in the formulas. The results were a dramatic shift in revenue available to educate students.

Regardless of how we tax locally, Small Cities simply do not have the tax base sufficient to provide an equitable education for their students. The State has a responsibility to address the formulas to insure that all students are provided an equal educational opportunity.

A Level Playing Field

EXHIBITS

Completed
by the
Auburn Enlarged City School District
1993

Hollis A. Palmer
Superintendent of Schools

Exhibit 1

SCHOOL DISTRICTS BY REGION

Central New York

Auburn
Baldwinsville
Central Square
Ithaca
Liverpool
North Syracuse
Oswego
Rome
Utica
Watertown
West Genesee

Western

Fairport
Frontier
Gates-Chili
Greece
Kenmore
Lockport
Niagara Falls
North Tonawanda
Pittsford
Rush-Henrietta
Webster
West Seneca
Williamsville

Southern Tier

Binghamton
Corning
Elmira
Horseheads
Jamestown
Union Endicott

Mid Hudson

Arlington
Kingston
Middletown
Monroe-Woodbury
Newburgh
Pine Bush
Wappingers

Lower Hudson

Clarkstown
East Ramapo
Haverstraw-Stony Point
Lakeland
Mount Vernon
New Rochelle
White Plains

Capital District

Albany
North Colonie
Saratoga Springs
Schenectady
Shenendehowa
South Colonie
Troy

Long Island

Bellmore-Merrick
Brentwood
Central Islip
Commack
Connetquot
East Meadow
Farmingdale
Freeport
Great Neck
Half Hollow Hills
Hemstead
Levittown
Lindenhurst
Longwood
Massapequa
Middle Country
North Babylon
Northport-E. Northport
Oceanside
Patchogue-Midford
Sachem
Sewanhaka
Smithtown
South County
South Huntington
Syosset
Three Village
West Islip
William Floyd

Exhibit 2

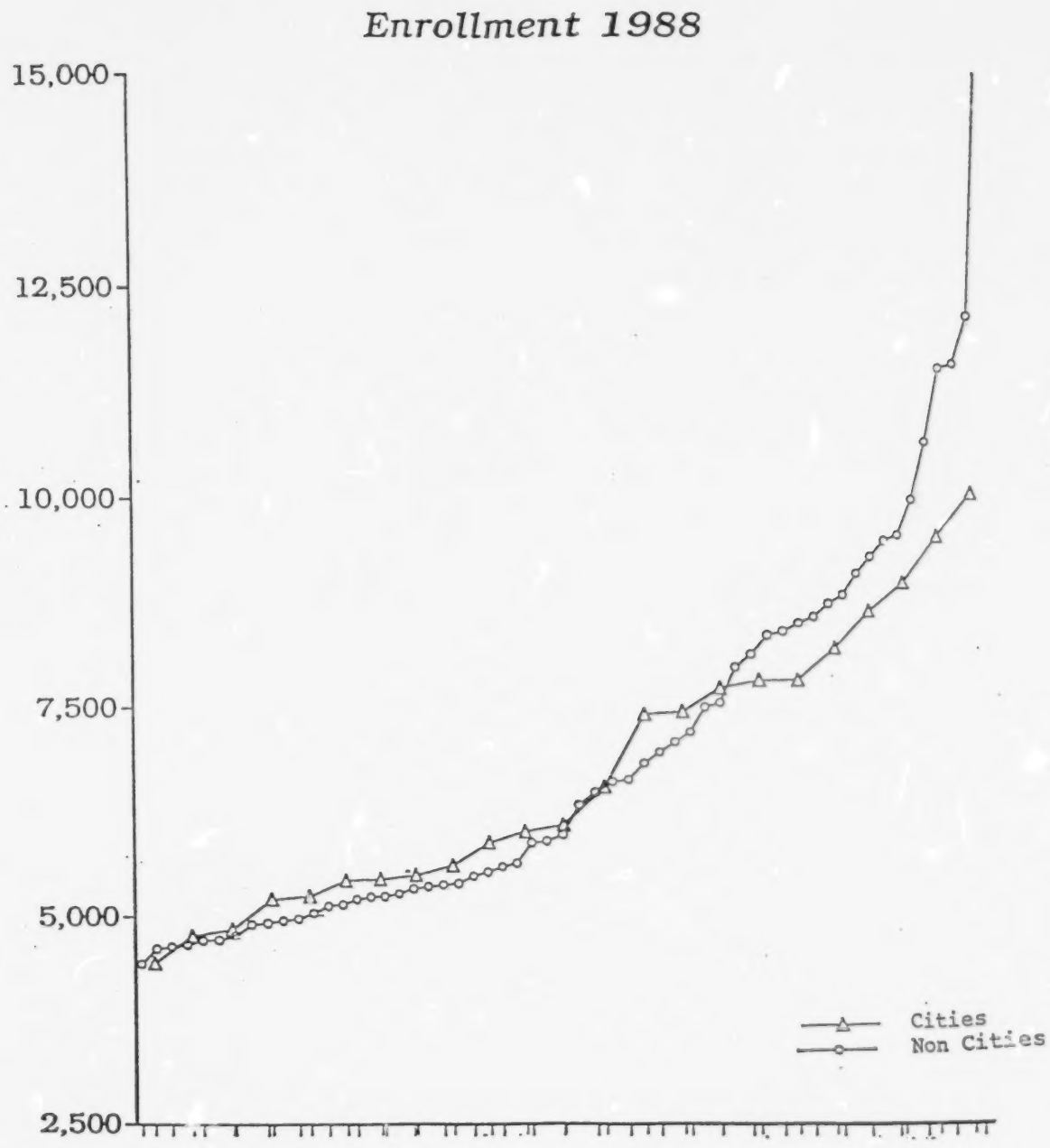

Enrollment 1988
15,000
12,500
10,000
7,500
5,000
2,500
Cities
Non Cities

Exhibit 3

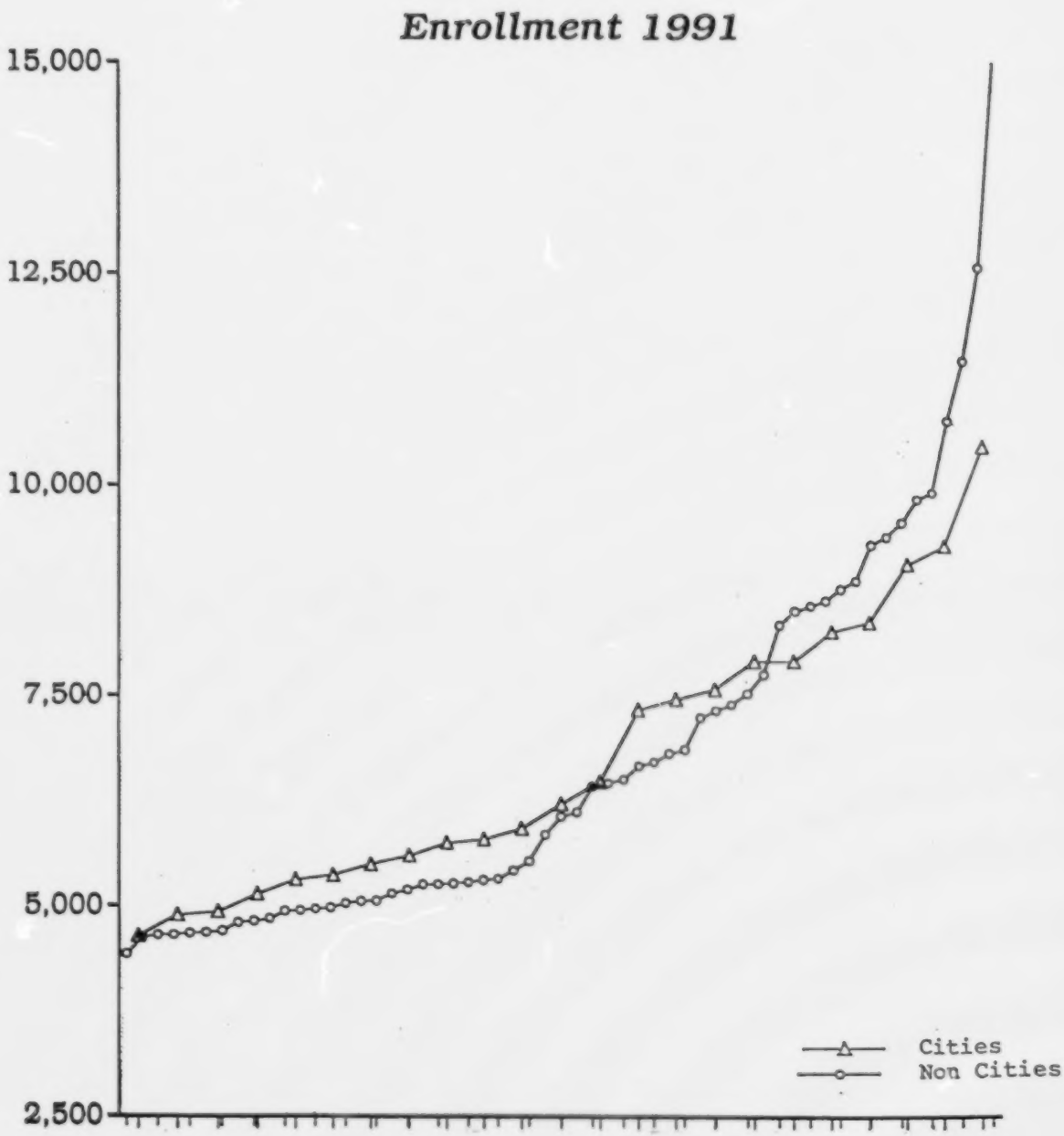

Enrollment 1991
15,000
12,500
10,000
7,500
5,000
2,500
Cities
Non Cities

Exhibit 4

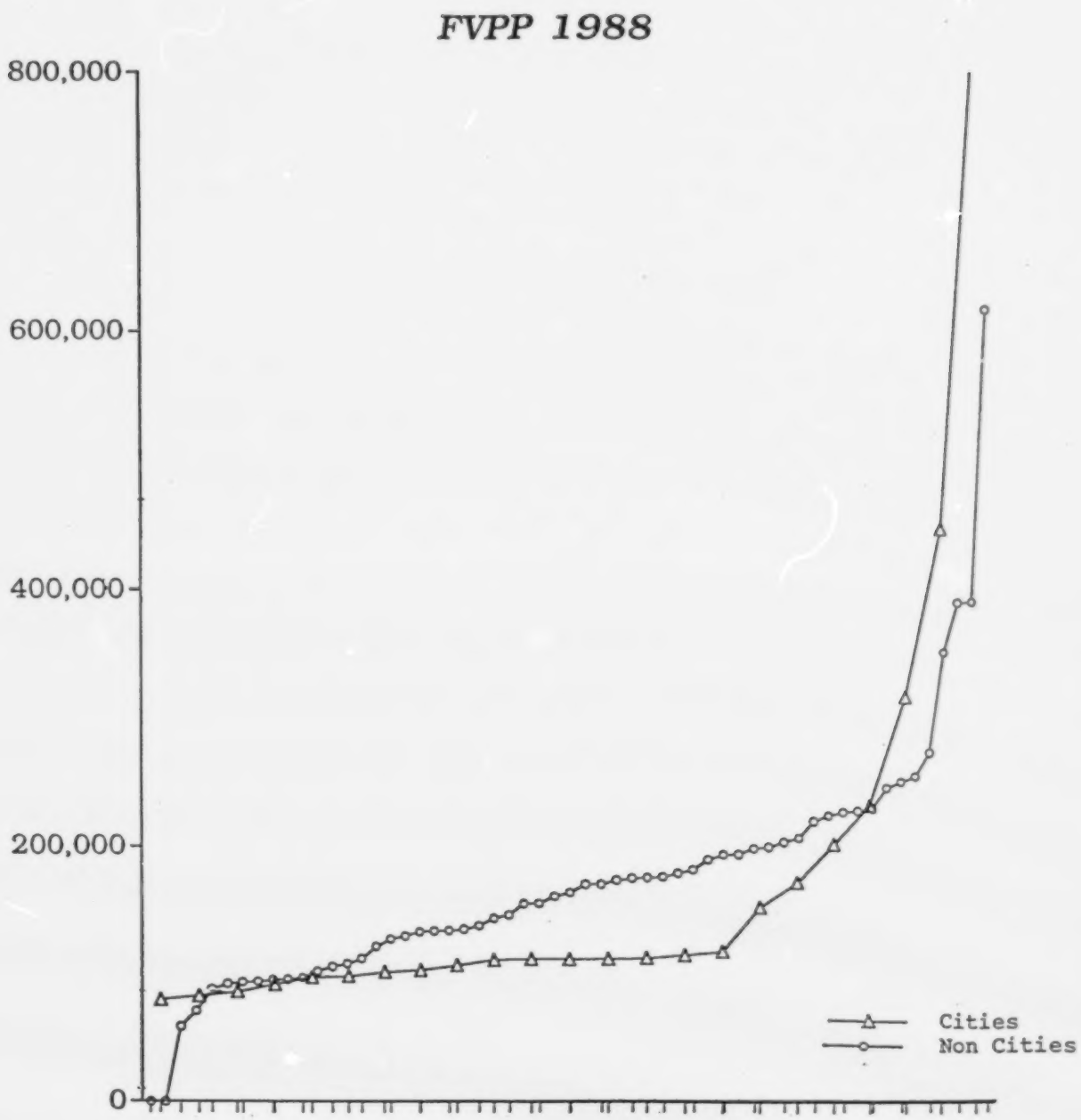


Exhibit 5

FVPP 1988

FVPP 1991

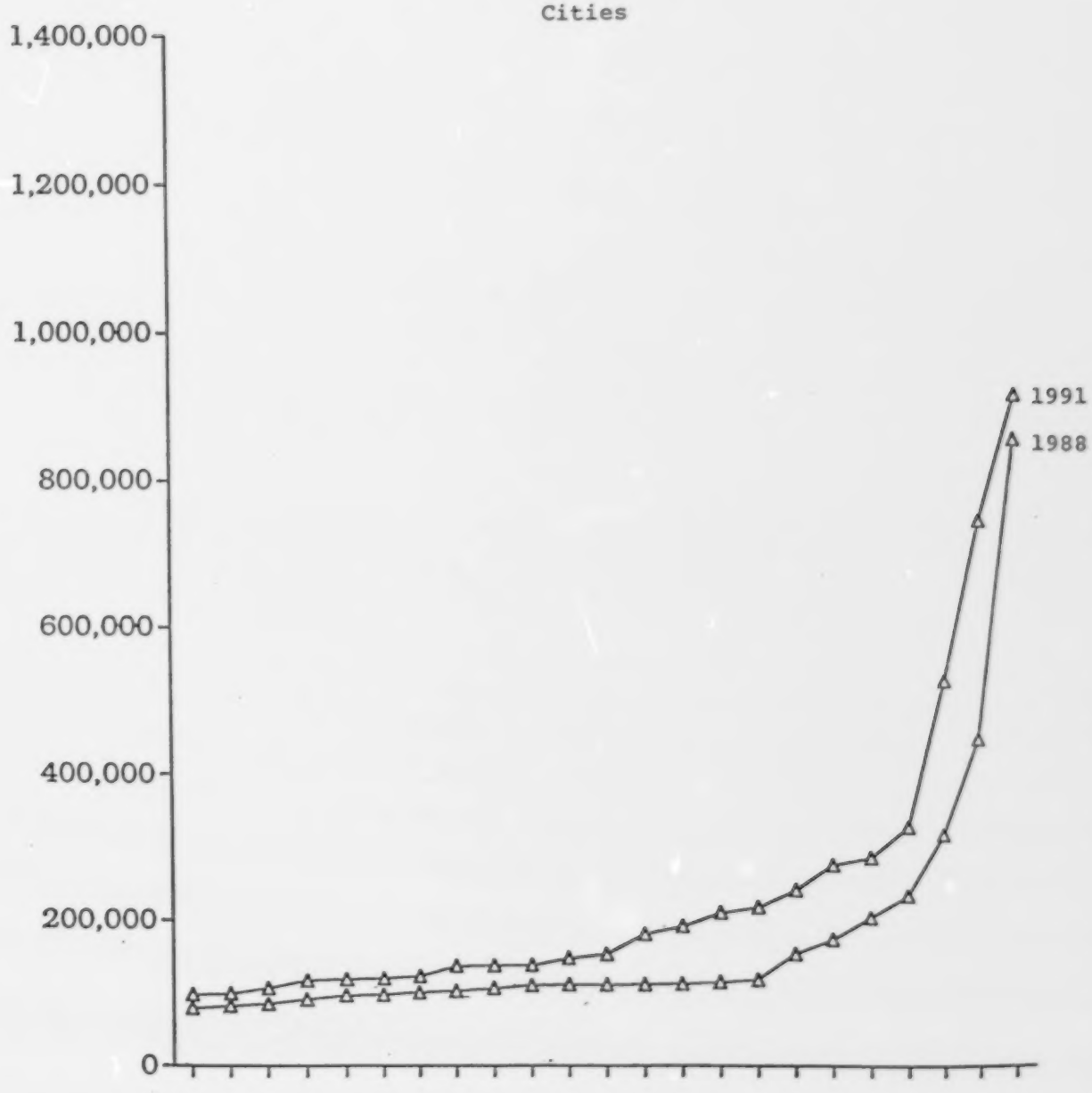
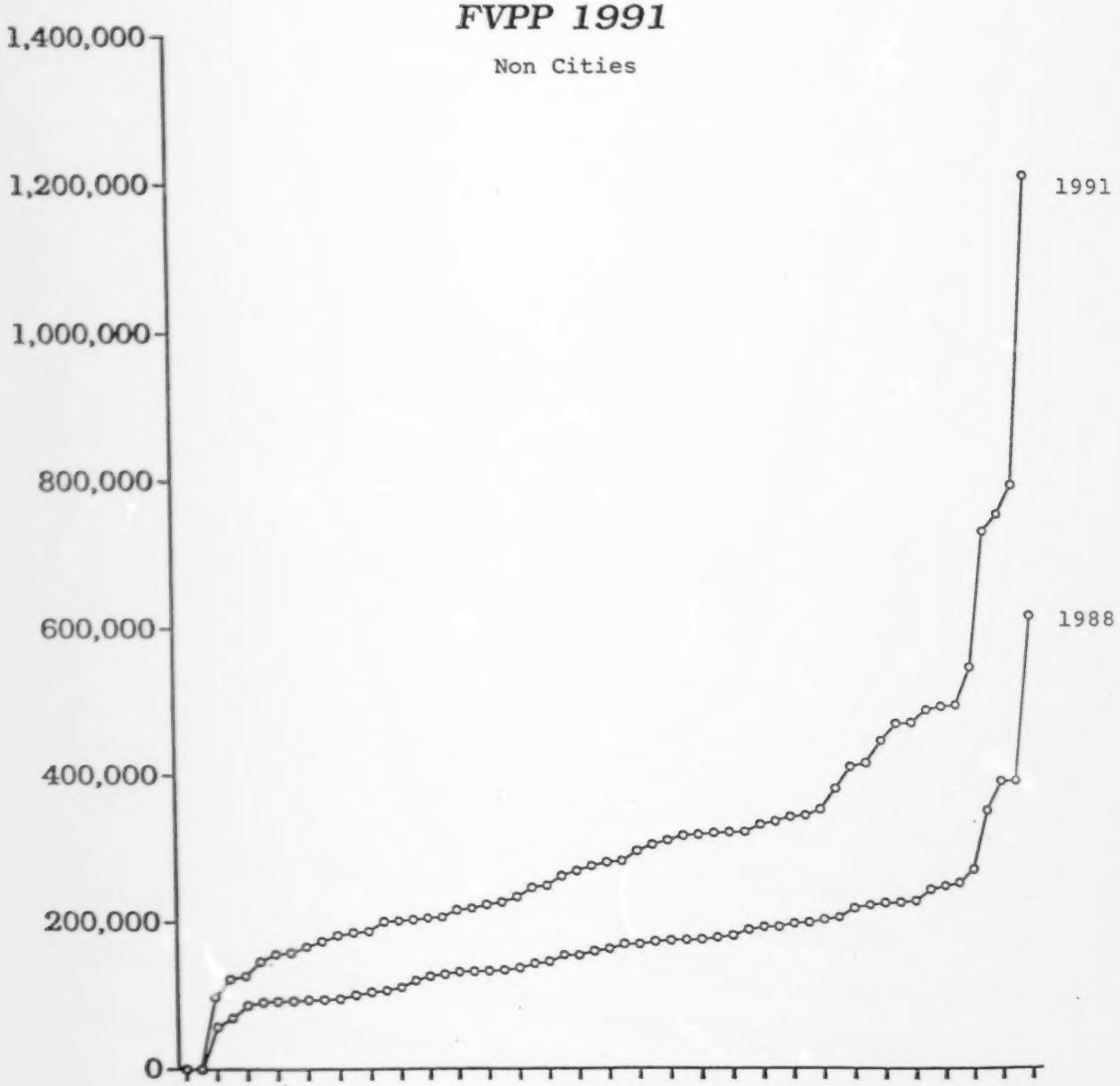


Exhibit 6

FVPP 1988

FVPP 1991



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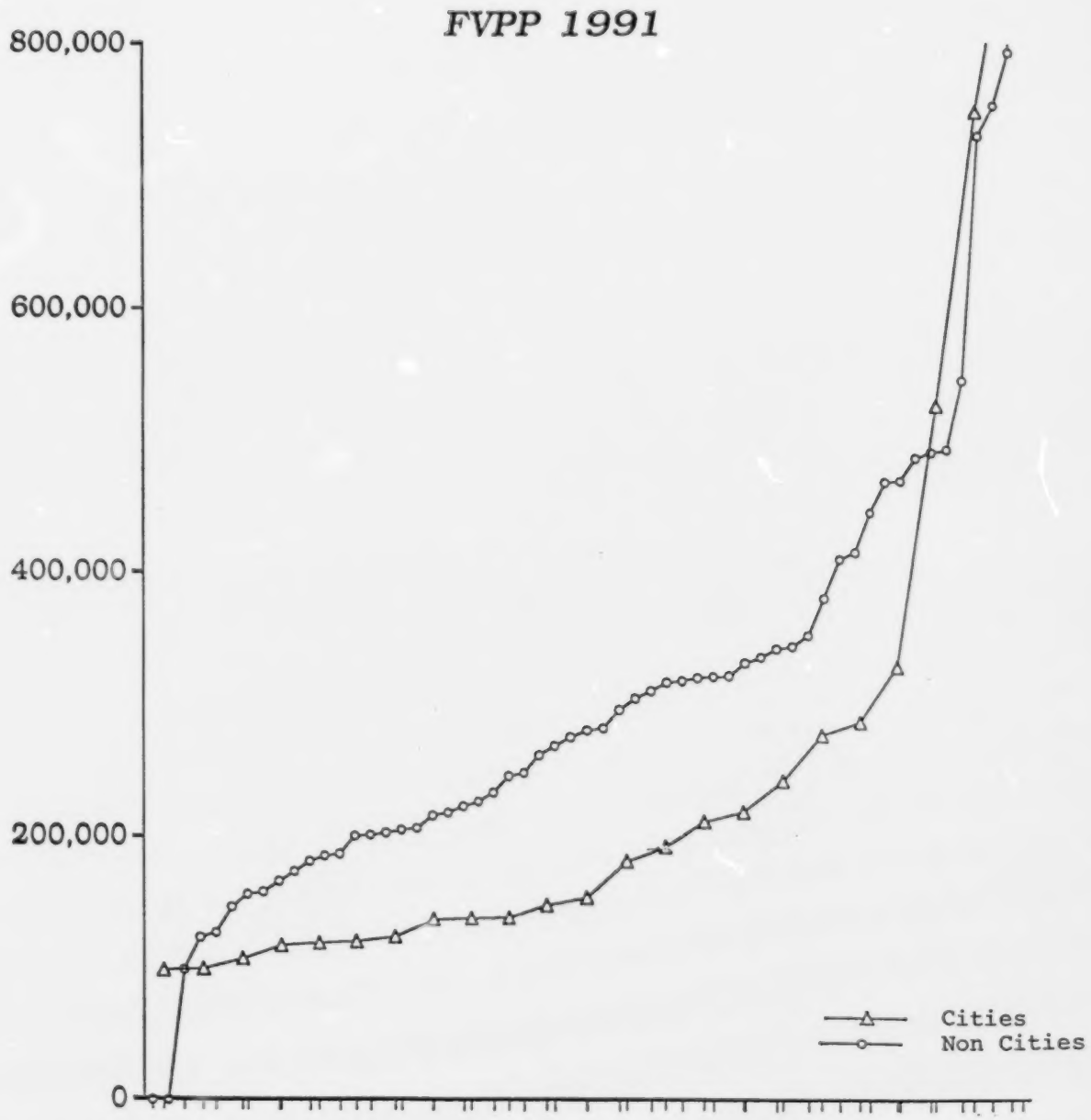


Exhibit 8

Full Value Equivalent 6,450,000,000

Cities	Number of Students	Tax Rate	Tax Levy
Auburn	5507	21.62	13,870,600
Jamestown	5801	16.45	9,420,400
Niagara Falls	9067	20.18	21,720,400
Lockport	6218	19.44	14,909,400
Kingston	7340	16.60	33,657,400
Troy	5322	23.71	15,120,200
Rensselaer	1035	18.95	2,665,400
Hudson	2436	15.89	6,906,700
Watervilet	1365	20.58	3,755,100
Total --->	44,691		122,025,600

Great Neck

Students = 5311

Rate = 12.15

Levy = 78,218,800

Exhibit 9

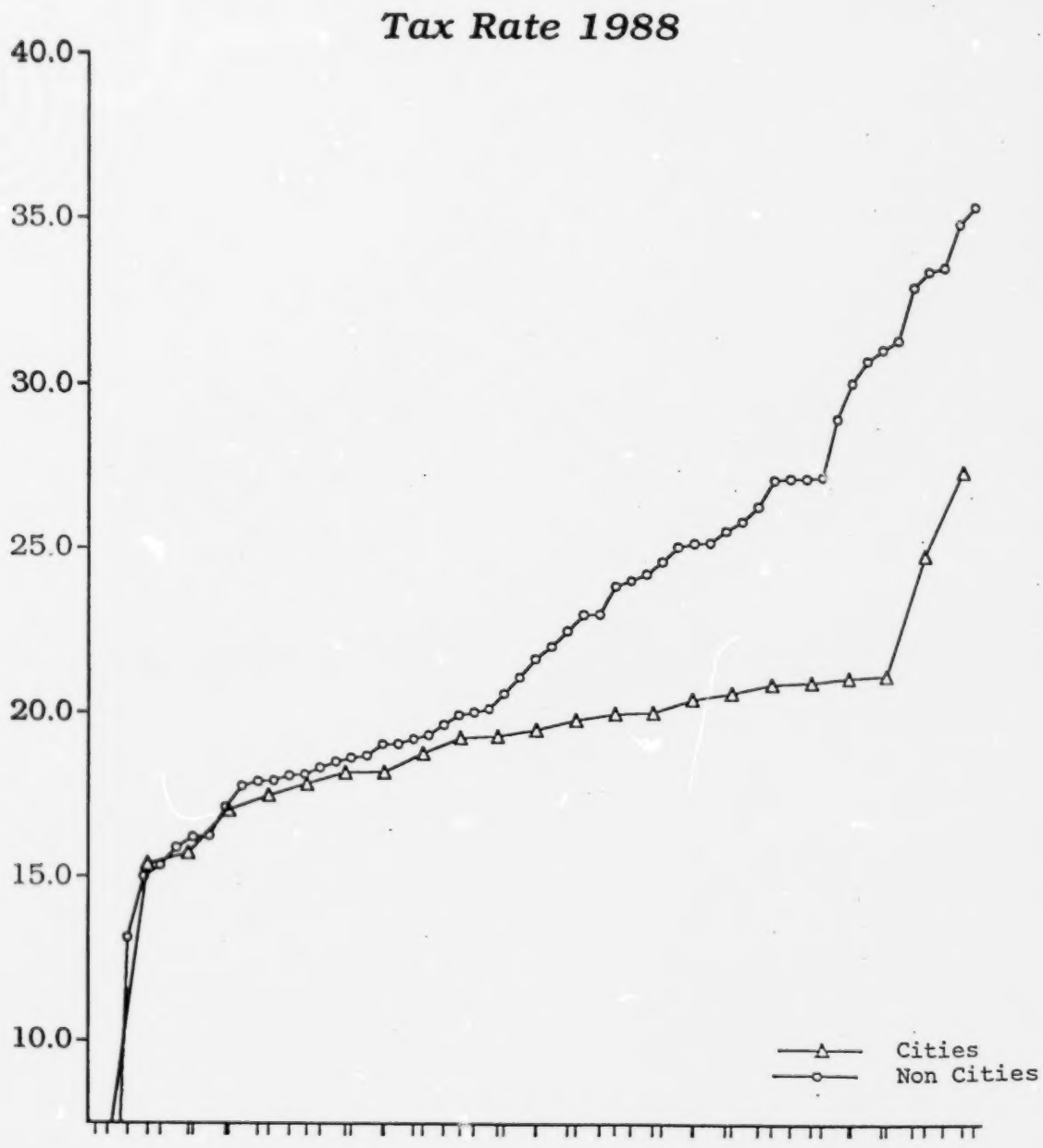


Exhibit 10

Tax Rate 1991

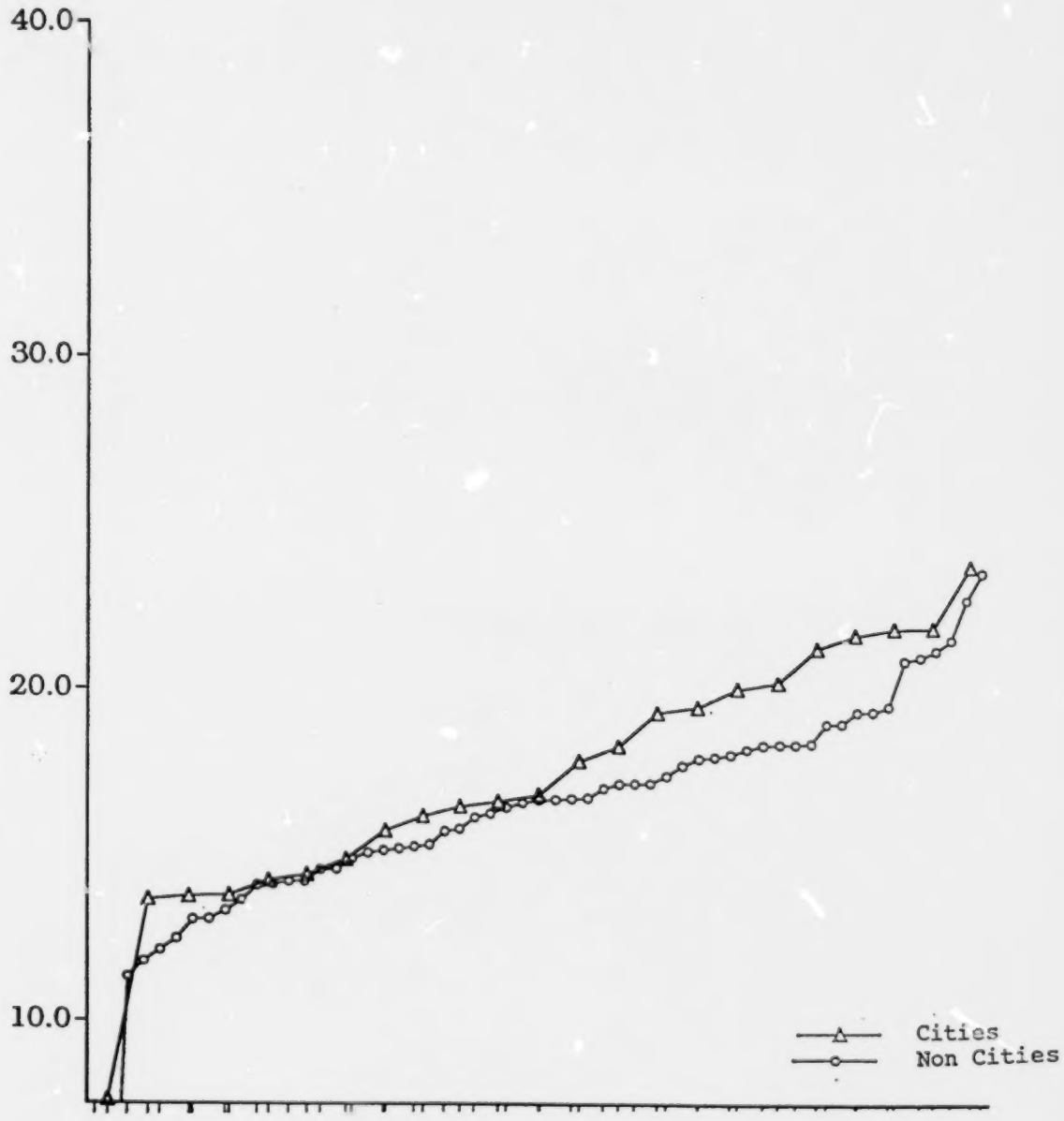


Exhibit 11

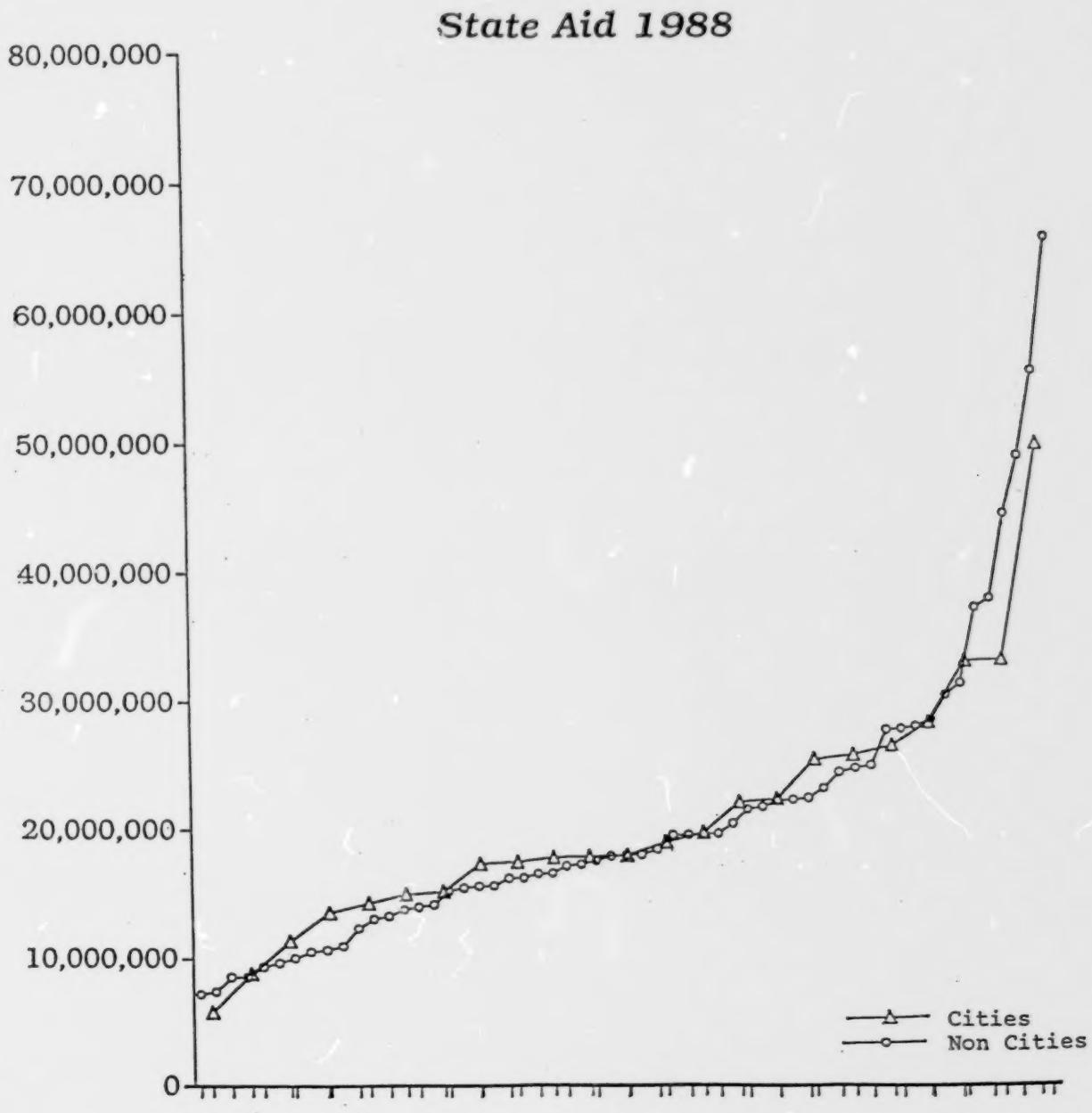

State Aid 1988
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Cities
Non Cities

Exhibit 12

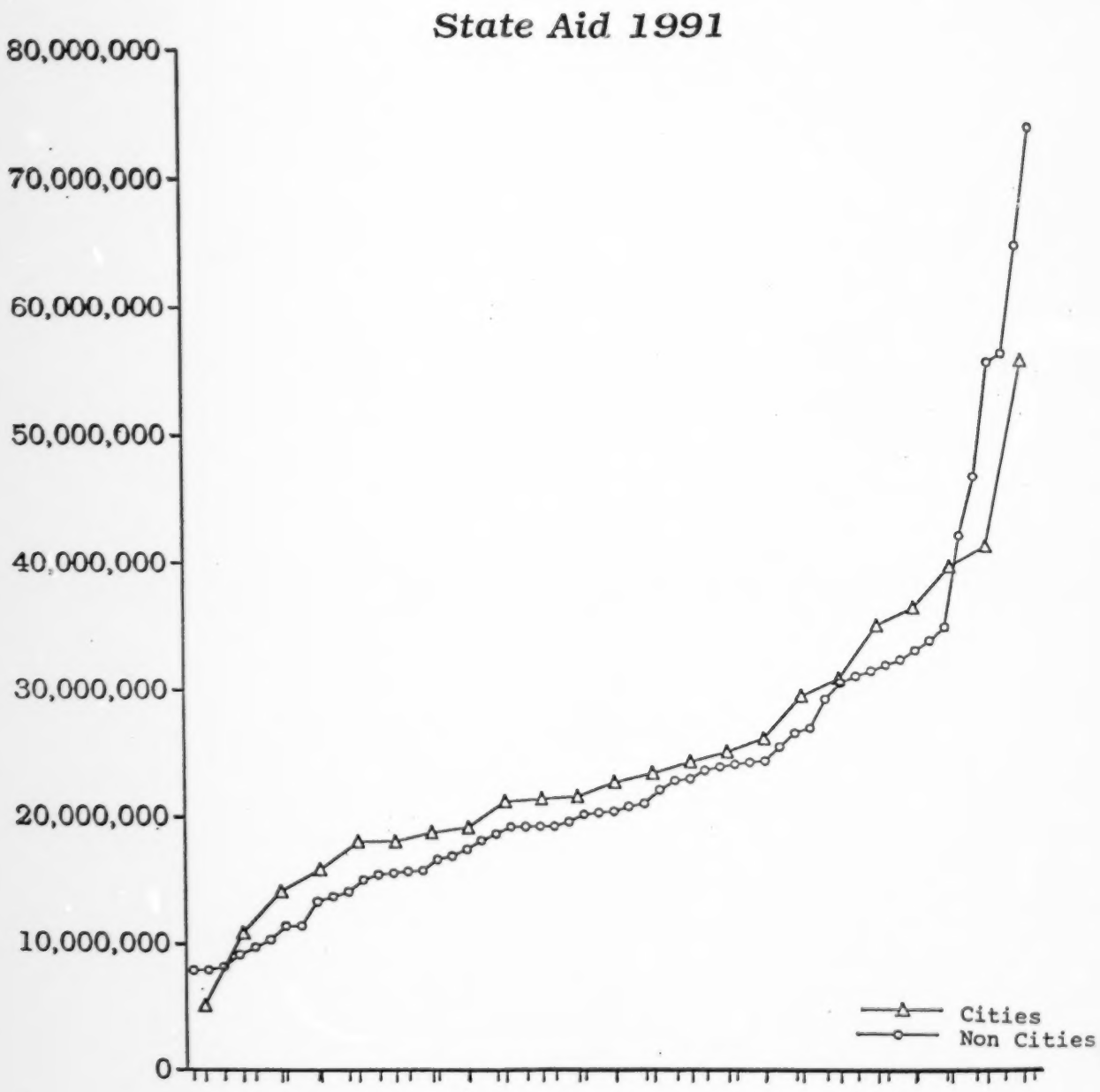

State Aid 1991
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Cities
Non Cities

Exhibit 13

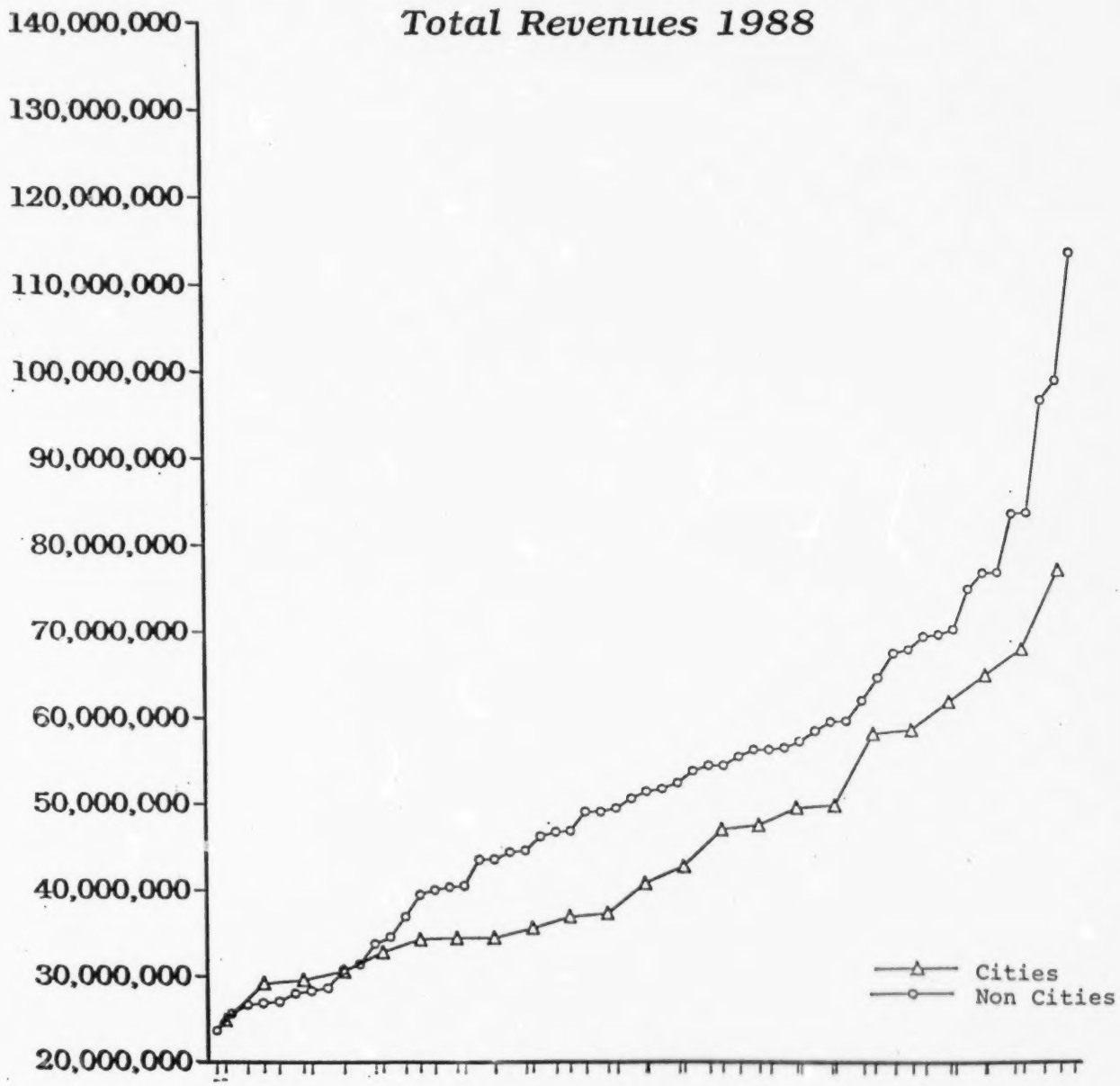

Total Revenues 1988
140,000,000
130,000,000
120,000,000
110,000,000
100,000,000
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
Cities
Non Cities

Exhibit 14

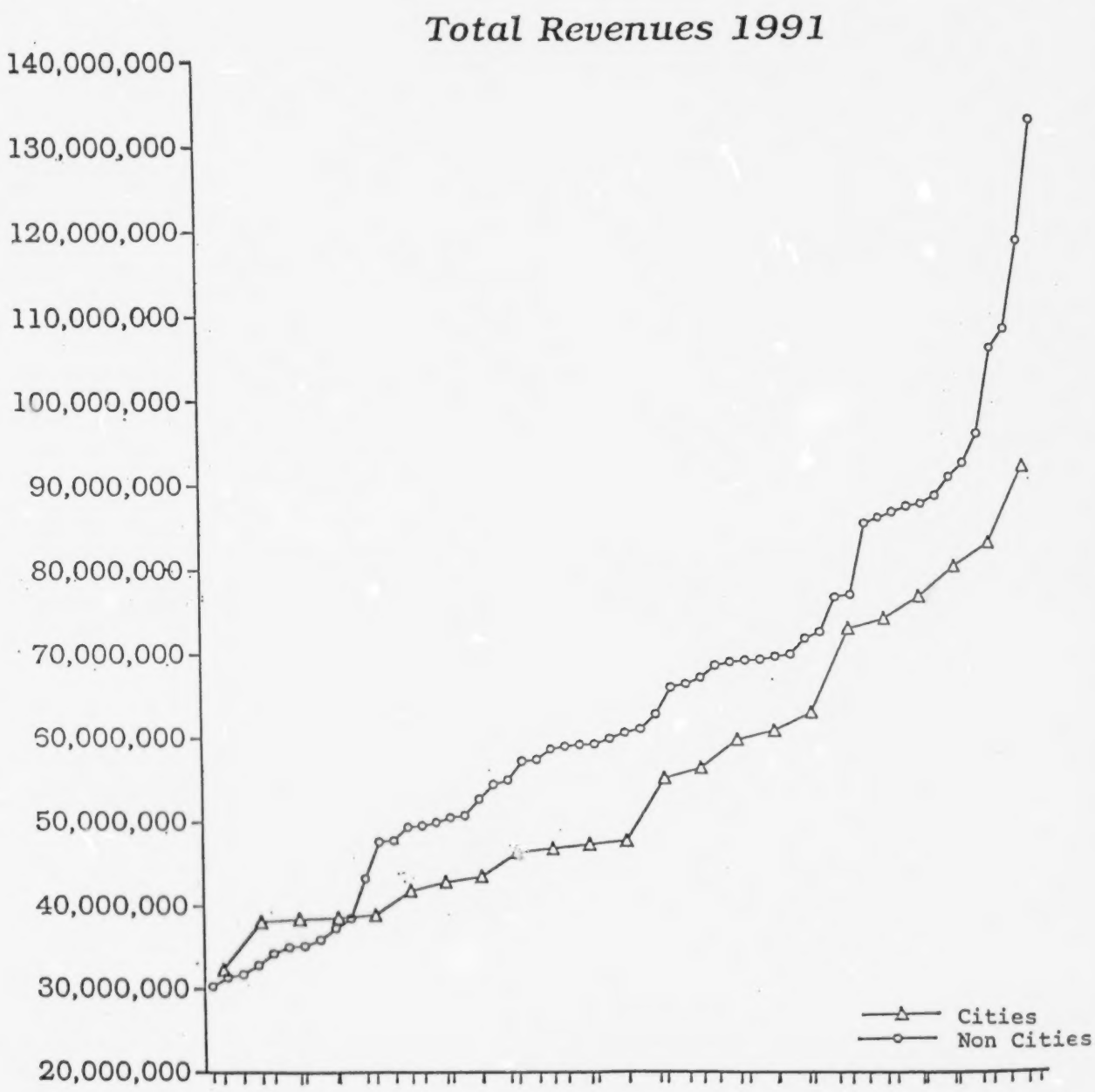

Total Revenues 1991
140,000,000
130,000,000
120,000,000
110,000,000
100,000,000
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
Cities
Non Cities

Exhibit 15

CWR 1991

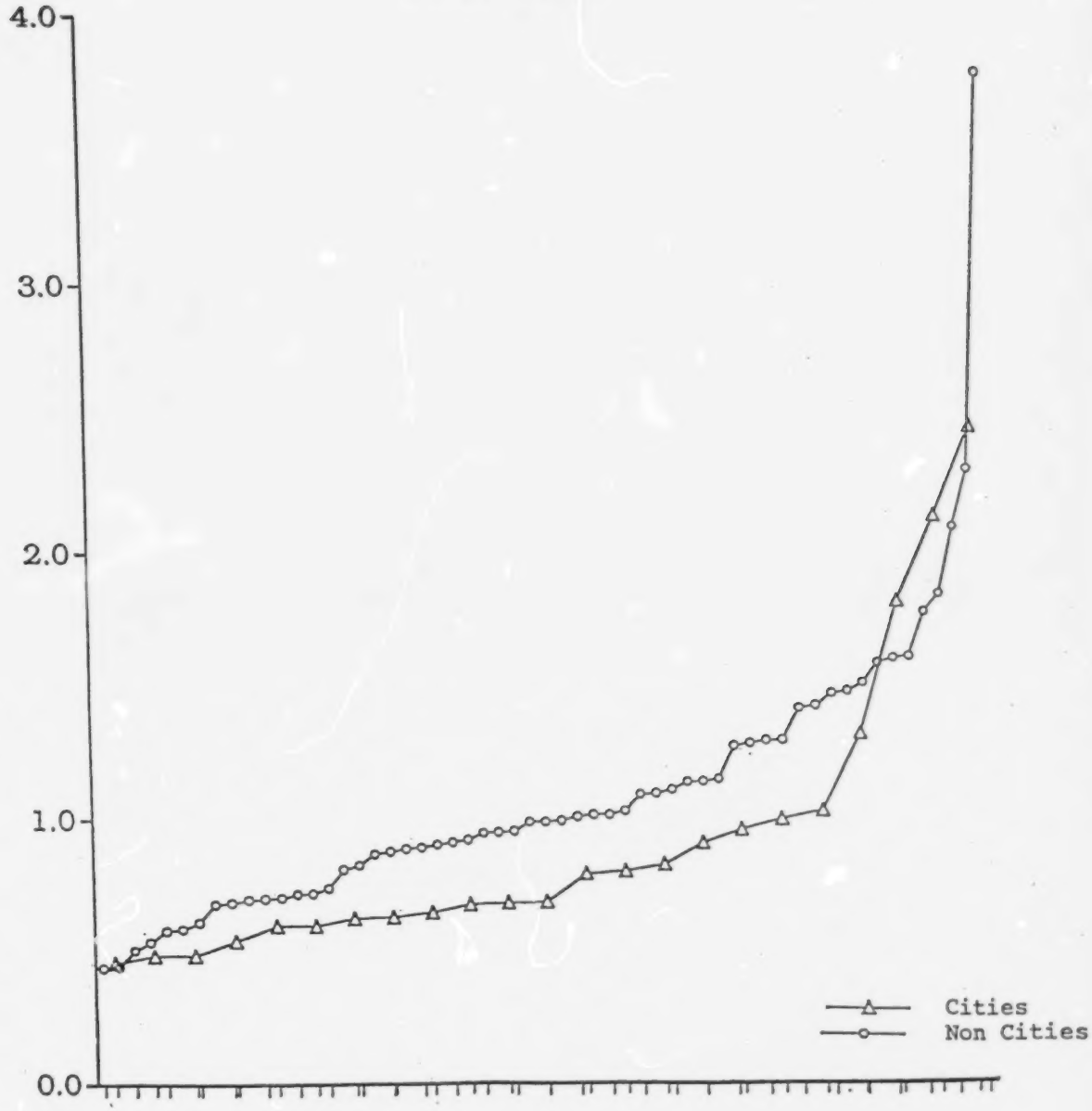


Exhibit 17

ENROLLMENT INCREASES

1988 - 1991

CITIES

0-1%		1-2%		2-3%		3-4%		Over 4%	
Niagara Fls.	0.98	Rome	1.36	Oswego	2.70	Newburgh	3.40	Albany	8.61
Elmira	0.89	W. Plains	1.94			Lockport	3.44	Ithaca	4.75
N. Rochelle	0.42					N. Tonawanda	3.16	Auburn	6.82
								Watertown	4.57

Even

Corning

NON-CITIES

0-1%		1-2%		2-3%		3-4%		Over 4%	
Fairport	0.89	Longwood	1.99	N. Syracuse	2.73	Greece	3.49	Williamsville	7.27
Baldwinsville	0.50	East Meadow	1.86					Shenendehowa	7.14
S. Colonie	0.40							Arlington	5.85
Horseheads	0.44							Webster	9.12
N. Colonie	0.58							Pine Bush	7.53
								Central Square	5.23

Even

Monroe-Woodbury
West Genesee

Exhibit 18

ENROLLMENT DECREASES

1988-1991

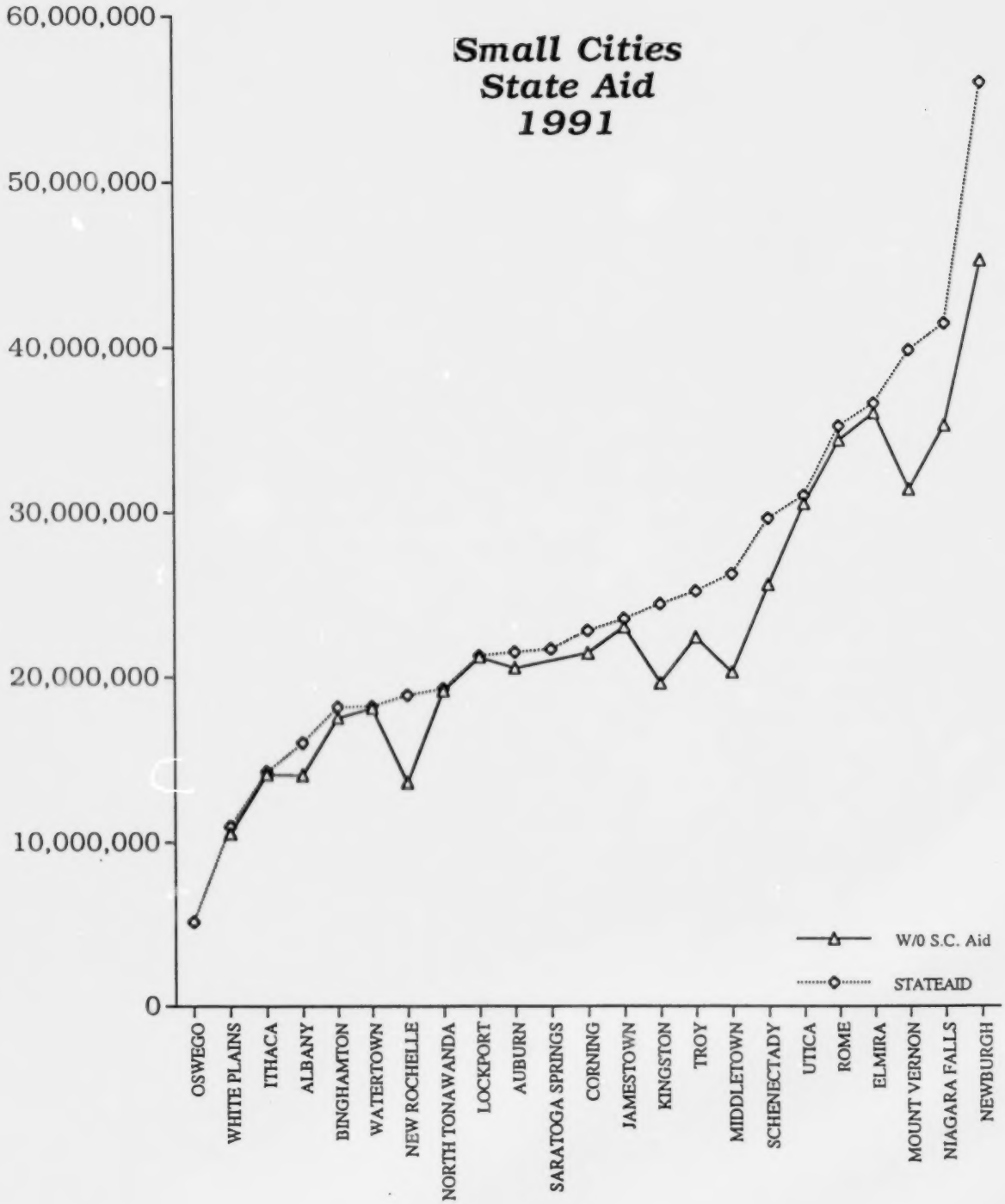
CITIES

0-1%		1-2%		2-3%		3-4%		Over 4%	
Kingston	0.93	Jamestown	1.38	Mt. Vernon	2.54			Utica	8.36
Saratoga Sprgs.	0.76	Middletown	1.79	Schenectady	2.91				
				Binghamton	2.68				
				Troy	2.36				

NON-CITIES

0-1%		1-2%		2-3%		3-4%		Over 4%	
Brentwood	1.00	Liverpool	1.48	William Floyd	2.17	Syosset	3.84	Sachem	10.82
Freeport	0.87	Haverstraw-St Pt.	1.83	Kenmore	2.17	Oceanside	3.74	Wappingers	6.74
Pittsford	0.40	Great Neck	1.67	Rush-Henrietta	2.26			Middle Country	7.01
Union-Endicott	0.38			Frontier	2.37			E. Ramapo	7.37
Gates Chili	0.91							Clarkstown	5.31
								Patchogue-Med.	4.01
								W. Seneca	8.02
								Smithtown	10.23
								Half Hollow H.	10.24
								Three Village	9.42
								Connetquot	9.44
								Massapequa	7.72
								Levittown	6.24
								Sewanhaka	6.01
								Lindenhurst	4.57
								Commack	7.73
								Hemstead	5.41
								Farmingdale	5.09
								S. Huntington	4.36
								Northport-E.N.	8.17
								Central Islip	4.93
								Lakeland	6.63
								Bellmore-Merr.	6.00
								S. Country	6.23
								W. Islip	7.35
								N. Babylon	6.52

Exhibit 19


Small Cities
State Aid
1991
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
W/0 S.C. Aid
STATEAID
OSWEGO
WHITE PLAINS
ITHACA
ALBANY
BINGHAMTON
WATERTOWN
NEW ROCHELLE
NORTH TONAWANDA
LOCKPORT
AUBURN
SARATOGA SPRINGS
CORNING
JAMESTOWN
KINGSTON
TROY
MIDDLETOWN
SCHENECTADY
UTICA
ROME
ELMIRA
MOUNT VERNON
NIAGARA FALLS
NEWBURGH